

Opinnäytetyö (AMK) Thesis (TUAS)

International Business

Bachelor's Thesis

2010

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COMPETITIVE STRATEGY

– SORRIN PUUTARHA



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KILPAILUSTRATEGIA – SORRIN PUUTARHA

Tämä lopputyö käsittelee tuore-elintarvikkeiden teollisuutta Suomessa ja erityisesti yhden alalla toimivan yrityksen kilpailuasemaa. Sorrin Puutarha valmistaa käyttövalmista salaattisekoituspussia, jota on saatavilla ruokakaupoista. Tavoitteena oli löytää case-yrityksen kilpailuetuja, joiden perusteella valittiin sopiva kilpailustrategia, joka taas pyrkii vahvistamaan löytyneitä kilpailuetuja. Käytännön osuus perustuu kuluttajakyselyyn, joka pyrki tuomaan esille case-yrityksen kilpailuetuja. Porterin viiden kilpailuvoiman mallin avulla analysoitiin kilpailukenttää, jossa case-yritys toimii. Strategiavaihtoehtoiksi valittiin Porterin kolme yleistrategiaa, joista tuli valita yksi, jotta kilpailussa pärjättäisiin.

Kuluttajakyselyn perusteella saatiin selville kilpailuetuja, joita case-yrityksellä on. Strategian tarkoituksena on vahvistaa näitä kilpailuetuja ja toimia toimintasuunnitelmana, jota toteutetaan määrätietoisesti. Case-yrityksen kilpailuetujen perusteella Porterin erikoistumisstrategia on sopivin vaihtoehto pärjätä kovin kilpailulla alalla. Erilaistumalla kilpailijoista case-yritys pystyy luomaan arvoa asiakkaille, josta ollaan valmiita maksamaan. Vahvan brandin avulla kilpailuasema vahvistuu entisestään ja hyvä puolustusasema on taattu. Markkinaosuuden kasvattaminen on helpompaa, yrityksen tuotteilla on lojaali asiakaskunta sekä selkeä strategia, jota noudatetaan.

ASIASANAT: Kilpailustrategia, viiden kilpailuvoiman malli, bandit, tuoretuotteet, pesty ja pilkottu salaatti, erikoistumisstrategia, yleisstrategiat, arvoketju

BACHELOR'S THESIS | ABSTRACT

UNIVERSITY OF APPLIED SCIENCES

International Business

7.11.2010 | Total number of pages 48

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COMPETITIVE STRATEGY – SORRIN PUUTARHA

The thesis handles the fresh food product industry in Finland and especially one company operating in the industry and its competitive position. Sorrin Puutarha manufactures ready-to-use fresh cut salad bag, which is sold in the grocery stores. The objective of the thesis was to find competitive advantages of the case company. Once the competitive advantages were identified the purpose was to choose a fitting competitive strategy that would strengthen those advantages. The field study was conducted through a consumer survey, which aimed to reveal the competitive advantages of the case company. The driving forces for industry competition were analyzed using Porter's five forces model. The strategies to choose from were Porter's three generic strategies. In order to succeed in the competition, one strategy was chosen.

The consumer survey revealed some of the competitive advantages that the case company possesses. The purpose of the strategy is to strengthen those competitive advantages and operate as a game plan. The chosen strategy should be implemented in all operations. Based on the competitive advantages the most suitable strategy was Porter's differentiation, since the industry of fresh food products is very competitive. Through differentiation the company can differentiate from its competitors and add value to the customers from which they are willing to pay for. Strong brand strengthens the defensive position even more. Increasing the market share is easier once the company has a loyal customer base and clear strategy to follow.

KEYWORDS: Competitive strategy, five forces of competition model, brands, fresh produce, fresh-cut salad, differentiation strategy, generic strategies, value chain

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1 Introduction

1.1 Background

I have been working in the case company, Sorrin Puutarha, for one summer in 2009 as a summer job and I became interested in their launched product of fresh cut salad bag. The interest in the product increased as there was not any similar product in the market from the local farmers at the time. The good product features and possibilities made it even more attractive for me to conduct a study on.

In August 2009 I visited the city of Örebro in Sweden and after inspecting the local supermarkets the conclusion was that most lettuce sold in the neighbor country was pre-packaged as Sorri's fresh cut salad bag in Finland. The trend for many years has been that whenever something innovative is being introduced in Sweden the trend is more likely to follow to Finland in few years.

One of the discussion topics among the food industry is local food. The customer demand for local food is continuously growing and therefore the investments of resources of local food producers should be directed towards marketing and development of business operations. New local food concepts are being born all the time. The amount of products being produced by the local producers has been increasing in the grocery stores and because of this local food as phenomenon can be witnessed to happen. Despite the fact local food is still marginal. The main interests of food production industry and retail are centralization and efficiency combined with strong logistics and distribution. Heavy regulation and centralization of logistics has kept the industry's products covert from the consumers. This fact is one the key drivers for this study. (Mäkipeska & Sihvonen 2010, 4)

The consumers have bargaining power in the industry as the purchase decisions made by the consumers have a direct influence on the gardening production industry and to the entrepreneurs' future. The sales promotion

importance increases as the purchasers have the bargaining power. The small enterprises must be aware of the requirements and factors affecting the customer purchasing decisions. Skilled entrepreneurs must be able to react fast and flexible to the changes in the customer demand. (Ministry of employment and economy 2009)

1.2 Case company

Sorri Puutarha is located in the country side, only eight kilometers away from the Turku city centre. The location is favorable for gardening production since besides there lays a made-up basin. The land has been farmed already in the 1960's by Perttu and Marja Sorri and nowadays the farmer is their son, Vesa Sorri. The salads and vegetables are grown in self-owned farm and the pre-packed salads are manufactured in the same place. This guarantees that the products are fresh and clean and within few days delivered to the retail stores. (www.sorri.fi)

Sorri Puutarha has a sales booth in Turku market square from March and until October every year. The trademark of Sorri is due to an exceptional customer service and quality salads. Loyal customers visit the sales booth several times a week and keep the sales steady. Only few years ago the management of Sorri decided to invest into a manufacturing facility besides the farmed fields and start washing, chopping and packing lettuce into single sales units. The key driver to the decision was a trip to England three years ago where they discovered that most fresh produce sold was pre-packed (Varsinais-Suomen Yrittäjä-lehti 2008). The gardener, Vesa Sorri and his wife, Nina Sorri saw an opportunity in the pre-packed salads and selling them in the retail stores in Finland. The benefit gained was obvious; the distribution of the salads, not only for the customers living in Turku but also for people doing most grocery shopping in the further settled areas. At the time there was none domestic suppliers of the fresh cut salads in the industry. Few foreign suppliers, such as Dole, were present in some of the retail chains in Finland.

The company representatives visited also a packing fair in Paris and got some good advices and information on what was needed to start packing the lettuce. The Finnish TE-keskus was a supporting organization in the investment project of packaging lettuce. Once the packaging of the lettuce began, Sorri had an actual product with its package and label for the first time. Therefore they were able to begin marketing the product and execute sales promotions in the retail stores. The value adding factors of the product were the good quality of lettuce, convenience and the extra days the product remained fresh in the fridge etc.

The weakness of Sorri is the lack of experience in marketing activities. The word-of-mouth among the customers have kept the sales steady in the sales booth in Turku market square, but since the focus of the market has now shifted from the Turku city centre into to the large retail chains, the marketing and marketing communications are their weakest link. Sorri's brand could be strengthened by clear communications on the product label and sales promotions in stores. The use of marketing intermediaries could assist in the improvement of marketing communications and increase the awareness on the value adding factors of the product.

1.3 Purpose of the study

The study concentrates on building a working strategy for the local fresh cut salad bag manufacturer, Sorri Puutarha. The theory part relies heavily on Porter's five forces of competition in an industry and especially on the three generic strategies from which the company chooses one to follow and implement. Additionally the competitive advantages of the company are scanned through examining the value chain functions and product analysis. The researcher decided to use a known strategic planning tool as a framework for the thesis. The OGSM (Objective, Goals, Strategies and Measures) methodology has been developed in Japan in the 1950's by the large car manufacturers. The key benefit of using OGSM methodology for building strategies is its top-down approach to define objectives, goals, strategies and

measures of the business. It enables to write the strategic plan in clear, simple and compact way in one page. (Website of Majara Group 2010)

The objective of the research is to develop a competitive strategy for Sorrin Puutarha, which is the umbrella for the entire study. The goal is to find competitive advantages of the company through examining the product features, the market situation and value chain competences. The study aims to answer the following question; which are the competitive advantages that the company has achieved? The basic framework based on the OGSM methodology is being represented in the following.

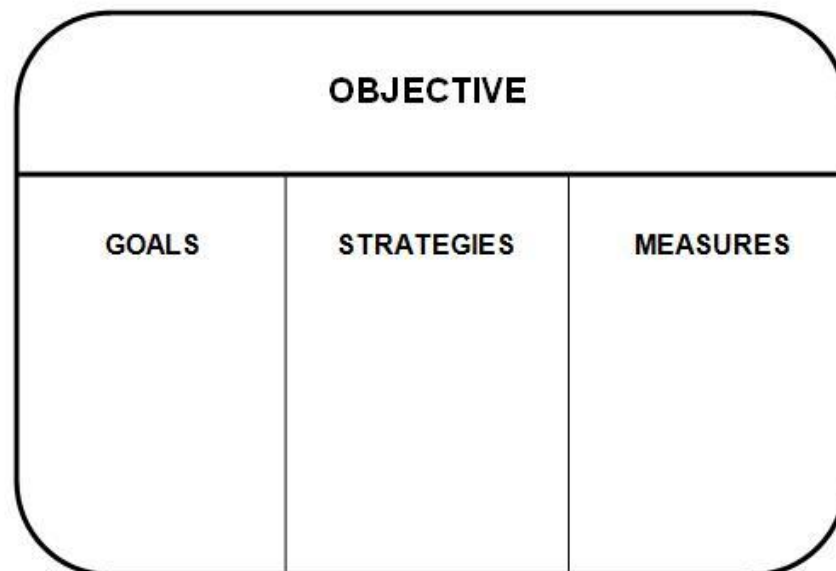


Figure 1. Framework of the thesis – OGMS model (Website of Majara Group 2010)

In this study the strategy formulation and development is based on the competitive nature of business operations. According to Porter (1980, 1985) in Rintanen (1999), the strategy can be seen as a “position” where the company aims to settle in relation to competitors based on the made product and market decisions.

Kamensky (2000, 207) points out that competitive advantage is a core word for approaching a competitive strategy. The decision makers should discover factor(s) where the enterprise can for good compete better against its

competitors. In other words this means that the enterprise has superior know-how in the light of the competition. (Kamensky 2000, 307)

Moreover Porter (1985, 9) also presents that the key success factor in the free market is competitive advantage of the company. The basis for competitive advantage is the value that the company can provide to its customers. The importance of the value lies for instance in the fact that the company provides exactly the same benefits for the customers as the competitors in the market but with a lower price. Or on the other hand the company can provide unique advantages that compensate fairly the highness of the price. (Porter 1985, 9-10)

2 Success factors of fresh-cut produce

2.1 Development opportunities and competitiveness of gardening products

The awareness of environmental conditions and higher education and income level of consumers create a solid basis for growing local food industry as the images of clean production and quality are connected to local food. The environmental effects are playing even more important part in the future among the entire food production chain and therefore the ecological status of local food will appear even stronger and more significant. (Mäkipeska & Sihvonen 2010, 5)

The entry of small local food producers to the market is difficult as food production is highly regulated. Despite the fact there lies a significant possibility to succeed in the business as there is none strong player in the national market yet. (Mäkipeska & Sihvonen 2010, 5)

Because of the small size of farms in Finland in general, the common distribution channel would facilitate a connection from the farmers to the consumers. At the moment this seems to be the largest development opportunity for local food production business. Effective logistics and distribution system that would reduce unneeded intermediaries is still looking for developer and implementation as there is demand deriving from multiple consumer groups. (Mäkipeska & Sihvonen 2010, 5)

Fresh food products create challenges for the supply chain as they are characterized as extremely fragile. The fresh salads and vegetables need to be handled carefully to ensure they remain undamaged and in good quality from the harvest to the table of the consumers. The critical time spent in cargo for the fresh product should be as minor as possible. The focus of the producers should be on the fresh produce supply chain as then the consumers would not be frustrated and there would smaller amount of unfavorable fresh produce in the grocery stores. (Simonson 2009, 14)

The essential question for the company is how to form a competitive advantage from the environmental quality for instance. As an example, differentiation of products by means of promoting environmental values might help the companies to build on a positive company image, maintain the confidence of the customers and acquire a national or even international competitiveness. The authors argue that additional costs deriving from executing environmental systems, generating follow-up data and marketing can create only limited part of the price of the end product without the company pricing itself out of the market. Therefore it is being suggested that networking among small companies might be a functional solution for creating value for the customers. (Seppälä et al. 2002, 3)

The competitiveness can be developed by lowering production costs, differentiation, increasing the degree of processing, increasing production to substitute the imported goods and searching for new production operations. The competitive advantage of gardening products of Finland are freshness, safety and production methods that takes into account the environmental aspects. (Ministry of employment and economy 2009)

In addition to the basic know-how of gardening production, the ability to understand extensive completeness such as taking into account the environmental issues is becoming more important. Skills from the following fields such as customer service, marketing, entrepreneurship as well as cooperation and language skills are becoming essential when entrepreneurial operations are increasing together with networking and internationalization (Ministry of employment and economy 2009). The agricultural and gardening industry has moved to a very competitive phase within the last few years and therefore the key for success is strategy development and planning of operations (Villalobos and Ahumada 2009, 1988).

The export opportunities and tightening competition because of European Union requires supplying large delivery lots, supply reliability and development of marketing. Therefore the production units and international operations are to increase in the future. The prerequisite for the small organizations to develop

and compete might be cooperation with other local gardening organizations. (Ministry of employment and economy 2009)

The Coca-Cola Retailing Research Council of North America has published a report which investigates general conclusions of consumer concerns about food and health in the future. In the report they introduced some key themes that are more likely to appear strong among the consumers in the coming years. The themes include wellness, as a most important issue among consumers. Another theme worth stressing was total transparency for healthy food supply chain. The report predicts that consumers will pay increasingly attention to foods that they eat. It is being predicted also that consumers will collect and circulate information way more than the product labels and packages are offering. Due to the fact companies should pay more attention to their responsible operations. (International Commerce Review: ECR Journal, 4-5)

The fresh produce suppliers' future strategy should contain elements of becoming more customer-oriented (i.e. retailer-oriented) and becoming better in understanding the customer requirements. The operators within the supply chain, especially the distributors, will be caught in the middle as fresh produce growers are asking for better payoffs and the customers and retailers requiring better quality and more variety. (Grant 1995)

2.2 Key drivers of fresh-cut produce

The suppliers of fresh-cut produce, such as Sorri, can offer consumers value-added products by offering convenience in food preparation and consumption. The fast expansion of the fresh-cut market globally is a result of changes in the consumer lifestyles. Huang et al. (2004) in Opara & Al-Ani (2010) has shown that consumers are demanding variety and convenience along with the growth in the consumption of fresh produce. There is a burst to bagged vegetables and salads and it is driven entirely by consumer demand. Convenience is the main driver as consumers are looking for a ready-to-use salad for home. Consumers have undergone change and today people are busier than they used to be.

Despite the changed lifestyles they are demanding healthy and convenient meals for themselves. (Opara & Al-Ani 2010, 798; Kosub 2003, 62)

There is an increase in the health awareness among consumers and the lack of time spent preparing food at home is the major reason for the popularity of bagged salads (Olivas & Barbosa-Canovas 2005 in Opara & Al-Ani 2010, 798; Stanley 1999, 16). The role of food in the improvement of well-being of people is significant. Prepackaged salads and vegetables provide an opportunity to gain fresh foods but additionally to gain the convenience. Customers seem to be aware of the benefits of fresh food and for the fact the consumption is increasing continuously. (Opara & Al-Ani 2010, 798; Kosub 2003, 62; Eastwood & Brooker & Smith 2005, 81)

Two of the key drivers in the entire fresh produce and gardening industry in the recent years are strategies of the supermarkets and innovation of the fresh produce suppliers. Retailers have described that fresh produce has become the “destination” segment. This means that fresh fruit and vegetables are one of the very few product segments for which consumers are willing to change supermarkets. As a result of this the fresh produce department has moved to the front of the store from the back and additionally doubled the shelf area in the supermarket in general over the past 15 years. (Fearne & Hughes 2000, 761-762)

The other key driver in the fresh produce industry is the innovation of the suppliers. Even though the fresh produce sold as raw accounts for the major sales in the grocery stores, there has been significant growth on a yearly basis in sales in ready and pre-packed vegetables. The increase in the sales for pre-packed salads is driven by consumer demands for ease of use products, which is said to be a global trend. In addition to the demand for food products which are easy to use, there is a demand for competitive prices, which often occurs as new businesses enter the fresh produce market. The prices may fall as an effect of the existing suppliers who improve their supply or diversify their product range. (Fearne & Hughes 2000, 763)

Consumers who demand pre-packed fresh produce are driving the innovation, even though it is said that product innovation is limited in this category. Retailers are looking for innovative suppliers as the margins between raw and pre-packed fresh produce is substantial. Even though the growth in the sales of value-adding fresh produce, such as washed and sliced, is said to depend on economic growth, suppliers may want to invest in product innovation as the major growth has been seen in the value-added fresh produce products. (Fearne & Hughes 2000, 764)

The characteristics of groceries appreciated by the customers are healthiness, domesticity, freedom of food additives, good taste and environmental friendliness of production. In the 1990's studies were conducted on that branding of food products based on the following characteristics; traditional, connection to nature and communal appeal better to the local consumers. Therefore branding efforts that are based on traits such as exiting, newness and exoticism are not worth implementing. (Tiilikainen 1999 in Seppälä et al. 2002, 11)

Food production should answer to the expectations of the customers by taking into account their needs in the business operations. The quality and environmental benefits offered to the customers need to be genuine, significant and discoverable in the production chain (MMM 1999 in Seppälä et al. 2002, 11).

According to Seppälä et al. (2002) the basic idea behind productization is to develop marketable products and services based on the rural values and resources. For consumers this creates a possibility to affect by conscious choices and purchase decisions. For entrepreneurs and small enterprises the productization offers tools for developing the products to correspond to the customer needs and wants. Also developing new products opens up new possibilities to earn living for the local food producers. (Seppälä et al. 2002, 5).

2.3 Local food definition

Consumers are increasingly requiring knowledge of the fact where food products are coming from and how they have been produced. The health and safety factors are not the only drivers for the required information, but also the fact that consumers are moving back to the perceived time when the food was real, healthy, genuine, traceable and wholesome (Gilg and Battershill 1998; Ilbery and Kneafsey 1999; Coakley 1998; Marsden 1998 in Dimara and Skuras 2005, 91). The food which is being produced locally may be seen as an idiom of cultural and individual identity (Nygård and Storstad 1998 in Dimara and Skuras 2005, 91; Tellström and Gustafsson and Mossberg 2006, 130).

The consumers may perceive confidence value of those food products which are related to a place as the origin of the product becomes tangible to them (Kuznesof *et al.*, 1997; Verlegh and Ittersum, 2001, 270 in Tellström and Gustafsson and Mossberg 2006, 131). The quality of food is difficult to examine and therefore the place related products can offer a tool for evaluating the quality in terms of relating it to a particular place.

Since local food is a strong trend in Finland and the products offered by the local producers have been increasing in the stores lately, the definition of local food should be presented. According to Sitra (The Finnish Innovation Fund) local food has been produced near, about a hundred kilometers at maximum, where resources have been growing. Yet, local food is characterized by using the local inputs. Another defining characteristic is that local food answers to the expectations of the consumers. Some other characteristics are fulfillments of the legislation, the regional market, sustainable production chain, promotion of different seasons and taking advantage of the regional food traditions in the product development and marketing activities. (Mäkipeska & Sihvonen 2010, 8)

2.4 Branding

Branding is a process by which the companies distinguish their products from others. The consumer decisions are more and more made on the basis how

they feel about certain brands. Associations are developed by the purchasers of the products and these include e.g. prestige, status, economy. The influences of powerful brands can be shown in blind product testing where customers often fail to make the distinction between competing products even though they have high level of loyalty to the other product and brand. (Jobber & Fahy 2006, 140)

The product brand creates additional value to the consumer as he/she is left with an image of a quality product and makes then the purchase decision based on the image. Brands seem to have the power to differentiate the particular product from the competitors. It also assists the consumer in choosing and buying the product. At the end, it also makes the customers loyal and satisfied. The differences between physical product characteristics are diminishing especially in the food market and managers are leaning for brand orientation strategy, which can be a survival strategy for the company operating in the highly competitive market. (Vranešević and Stancec 2003, 811-812)

The case company Sorri Puutarha holds a brand by which it could distinguish itself from the competitors in the market. The brand of Sorri is the name of the company and local customers Turku area are familiar with the company and especially with its quality products. Sorri has the reputation of being the salad grower whose lettuce can be preserved for at least five days in the fridge. Because of the fact the company should aim for strengthening its company image and brand. Strong brand is a competitive advantage and it adds value to the customers and assists in choosing from all the product alternatives.

2.4.1 Brand benefits

The development of a brand takes much time and is often expensive. The benefits of brands are explained in more detail in the following.

The company value may be increased due to strong brands. Strong brand names may affect positively to customer preferences and perceptions. The following effect is brand loyalty which is created by the satisfied customers that keep buying the same brand. Whenever customers perceive certain brand as

positive it creates barriers for new brands to compete in the industry. Usually the market leading and strong brands are not the cheapest and it leads to high profits in an industry. In these cases where high returns are achieved by the company their customers feel that they receive additional value compared to their less powerful competitors. Strong brands also provide alternatives for extending brands by adding value to the core brand. (Jobber & Fahy 2006, 142)

The product brand is essential as it has an impact on the consumer's choice and often loyalty. Strong brand also helps to differentiate quality products and origin of the product or company. The origin of the product has an impact on the consumers' choices at least in the fresh food industry. Brands are also able to create additional value in the minds of the consumers. Through brand management the company can compete more successfully and therefore create a strategic importance to the company owners. (Vranesevic and Stancec 2003, 813)

2.5 Managing product by identifying its three levels

Conventional way of looking at the benefits of the product is the three different levels of product. At the basic level there is the core benefit offered by the product. The potential competitors can be better identified by understanding the core benefit of the product as it is usually the key issue that has the capacity to satisfy certain customer needs. The following level around the core benefit is the actual product which includes the following: features, styling, packaging and so on. The benefits offered by the actual product are to make up the brand as such. The third level of the product benefits is called augmented product which comprises the additional benefits such as guarantees, delivery, brand services etc. Product management decisions are easier to make as the different benefit levels of the product are visualized. In figure 2 three levels of product is illustrated. (Jobber & Fahy 2006, 140-141)

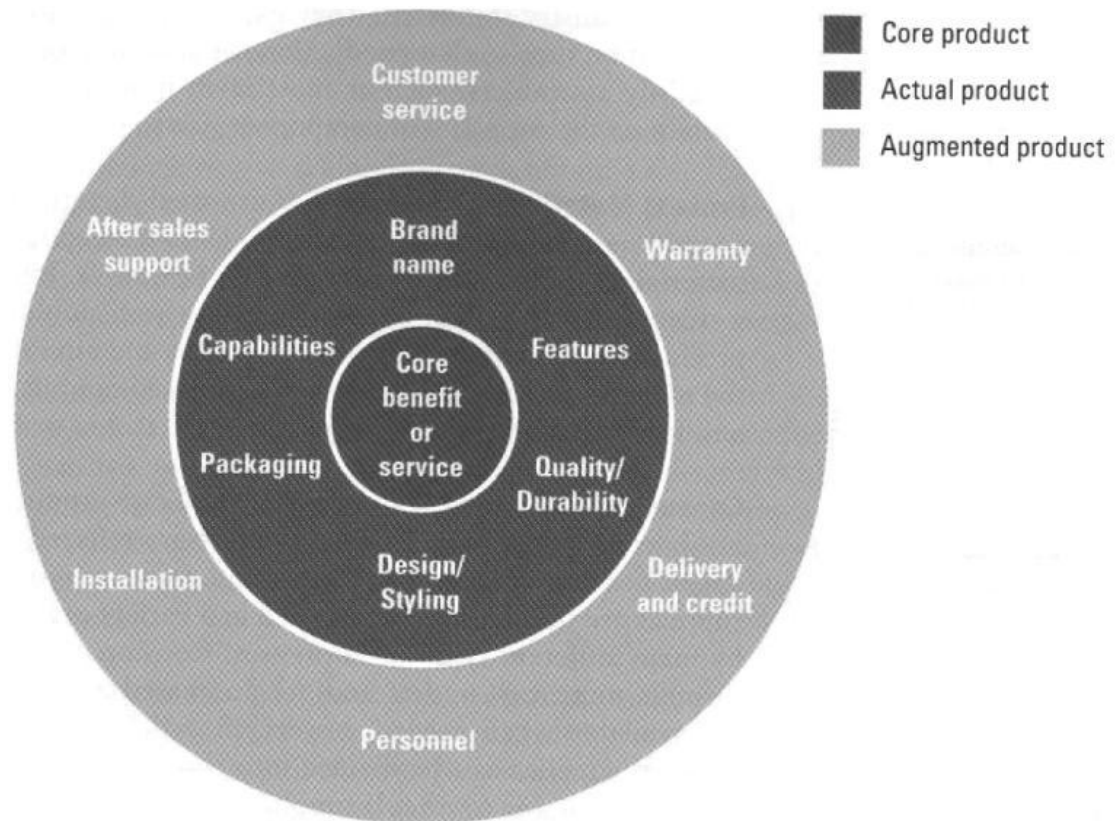


Figure 2. The three levels of product (Dibb et al. 2001, 254)

2.6 Value chain

A successful strategy formulation requires an assessment of the company's strengths and weaknesses. The key in the assessment is to identify and opportunities and to reduce threats coming from the external environment by evaluating the firm's potential to compete in the industry. Internal analysis is essential in order to determine the activities that it can do better than its competitors. In case the firm is first in the industry it should identify those activities that are its competence or can be performed strongly.

The multiple activities that the company performs define the competitive position in the market. It is said that these activities are done as they create economic value. The value chain is an analytical tool for assessing the activities the company performs throughout the value chain and its capabilities for creating the economic value. The strengths and weaknesses of each activity

can be assessed by identifying individual activities in the firm's value chain and the decision makers can therefore reflect its activities to the competitors. Primary activities represent the key operations of the company such as producing and delivering the product or service to the customer. Support activities are those that assist in the success of the primary activities, which are those that create economic value for the company and on the other hand create value for the customers. The combination of the primary and support activities creates the basis for the company's ability to add value. The primary and support activities are being described in the following figure 3. (Pitts & Lei 1996, 55-56)

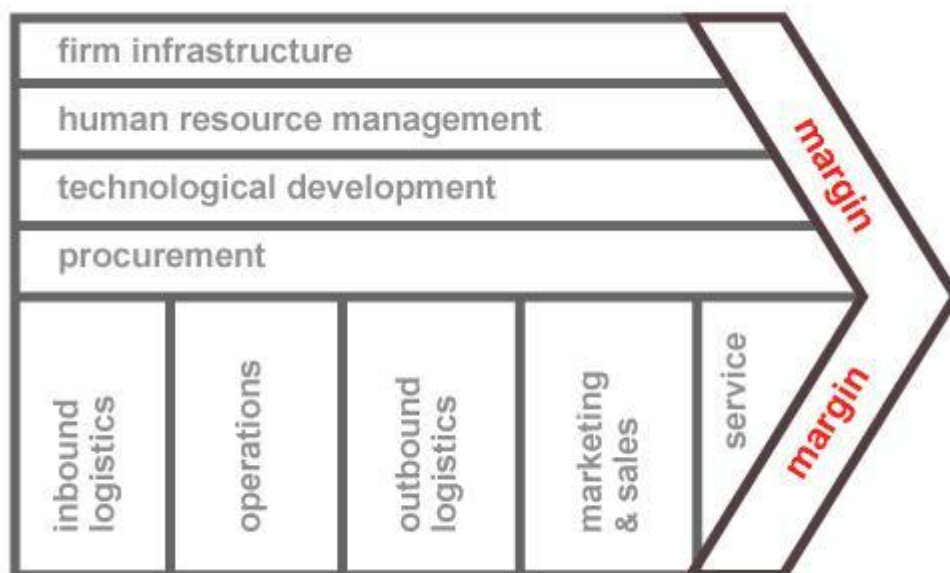


Figure 3. Value chain (Porter 1985)

2.6.1 Primary activities

Inbound logistics refers to the handling of materials that are used in the production of the product. The warehousing, storage and control of raw materials are certain tasks that are related to inbound logistics. It also means dealing with the suppliers of the company. Inbound logistics can be seen as the starting point for the company's value adding activities. (Pitts & Lei 1996, 57)

Operations are the activities where the raw materials transform into finished end products. Companies conducting same type of manufacturing activities may have differences in these activities due to relative age of equipment, the type of technology being used, size of the manufacturing facility, economies of scale, productivity levels and gains, and also the possible improvements that result from longer experience. (Pitts & Lei 1996, 58)

Outbound logistics refer to transporting the products to the distributors or final users. The managing of the flow and distribution of the final products to the immediate buyers such as wholesalers and retailers is the key in succeeding in the outbound logistics. Competitive strengths can be built for example by lowering the costs of distribution and strengthening responsiveness. (Pitts & Lei 1996, 58-59)

Marketing and sales in general mean that the products users are informed about the products and also motivated to buy them. They include activities such as advertising, promotion, product mix, pricing, choosing distribution channels, cooperating with wholesalers and retailers and considering the sales team. Competitive positions can be built by the approaches to managing the marketing activities with the view of adding value. (Pitts & Lei 1996, 59)

Service is the final primary activity in the value chain. It refers to those activities that helps the customer once he/she already has the product in his/hers hands. It includes activities such as warranty, repair, installation, customer support, product adjustment and modification, and also fast response to customer needs. (Pitts & Lei 1996, 59)

2.6.2 Support activities

Support activities are those that assist the primary activities in the company. Support activities help in the coordination of primary value-adding activities and also help attaining efficiency among all the primary activities. The first four rows in Figure 1. illustrate the support activities and include procurement,

technological development, human resource management and firm infrastructure.

Procurement manages with purchasing the required inputs, resources and/or components that have a contribution to the primary activities. Procurement involves special procedures for instance invoicing systems, ways of dealing with suppliers and information systems about certain components and parts. Despite the fact that procurement is a support function within the company it can improve the cost position relative to competitors. In case the company coordinates its procurement across separate functions it might gain higher bargaining power over suppliers. (Pitts & Lei 1996, 60)

Technology can be found in every primary activity that is implemented in the company. Technological development refers to those methods that improve performing primary activities. Technology development is used throughout the company in its several operations and it should not be defined just for the use of research and development function of the company. Technology refers to for instance to the standard operating procedures used to run a factory or software found in computers etc. (Pitts & Lei 1996, 60)

Human resource management refers to employees who will carry out the value-adding activities in the company. The human resources function is responsible for recruiting, training, motivating and supervising the personnel working in the company. Human resource management means working with people throughout the company. Additionally activities such as hiring, compensating are done in human resources to help the people to perform their jobs within the company. Human resources has an effect on every value-adding activity within the company. (Pitts & Lei 1996, 61)

Firm infrastructure includes activities such as accounting, finance, legal affairs as well as regulatory compliance. These infrastructure costs are difficult to isolate usually and therefore they are called overhead expenses. Whenever business downturns occur the companies often look for opportunities to cut infrastructure-related costs they should not be under estimated as they may

offer sources of competitive strength. For instance management information systems may help the company becoming more knowledgeable and receptive about its customers. (Pitts & Lei 1996, 62)

3 Assessing operational environment and strategies

3.1 Introduction to strategy development

The basis for strategy development in general is the changing world and the operational environment of the company. Strategy includes objectives and guidelines for operations. Strategy is a question of choosing from countless number of alternatives, prioritizing and also consciously refusing many realistic alternatives. The choices made are commonly known and acknowledged in the company so as they can be implemented in a focused and disciplined manner. (Kamensky 2000, 17)

The purpose of company's competitive strategy is to find a position where it can best defend itself against competitive forces or influence them in a beneficial manner (Porter 1984, 24). The core question that competitive strategy should answer is how to acquire, maintain and boost the competitive advantages? The competitive advantages are searched through the following pattern: objectives → essential strategies → strategical operations (Kamensky 2000, 40).

Peltonen (2007) suggests that strategy development process progresses in the following way: drafting the coming development in the operational environment by using the analysis of competitive forces, acknowledging the success factors of the company, preparing preliminary suggestion for possible strategy, critically assessing the preliminary strategy and refine it, approving the strategy, strategy implementation and assessment of results.

Competitive strategy is important as the company can relate to its operational environment. The industry where the company competes is the key aspect as the environment can be a broad term. (Porter 1980, 3)

The success of choosing the right strategy for the company to follow the operational environment should be carefully assessed. The five forces driving the industry competition will be introduced.

Analyses are done as a foundation for successful business operations. There is a division made between analyses: internal environment analysis and external environment analysis. The main groups of external environmental analyses are demand, customer, supplier and competitive analyses. (Kamensky 2000, 39)

The internal environment analyses can be divided into three main groups: organization, operations and finance. All of these three main groups can be divided further and more careful analyses can therefore be made. So called synthesis analyses are analysis techniques that combine internal and external analyses in addition to combining present and future aspects. (Kamensky 2000, 39) Success factors are the knowledge, skills, capabilities, resources, qualities and accomplishments that are the basis for success in the line of business (Kamensky 2000, 311).

3.2 Analysis of the operational environment

As many markets are driven by competitive forces, a company aiming to become competitive must be aware of the driving forces of that industry. "Knowledge of these underlying sources of competitive pressure provides the groundwork for a strategic agenda of action" (Porter 1998, p. 22). The strategy or 'game plan' for the company is an essential key for success. Whenever competition arises, the company makes a choice where it wants to compete in respect of existing players in the industry. Effective strategies can be developed after the activities and resources have been found that the competitors cannot perform as efficiently (Pitts & Lei 1996, 55). The choice is made by scanning the internal strengths and weaknesses without forgetting the opportunities and threats appearing from the external operational environment of the market. The five basic competitive sources are shown in figure 4. (Porter 1980, 3)

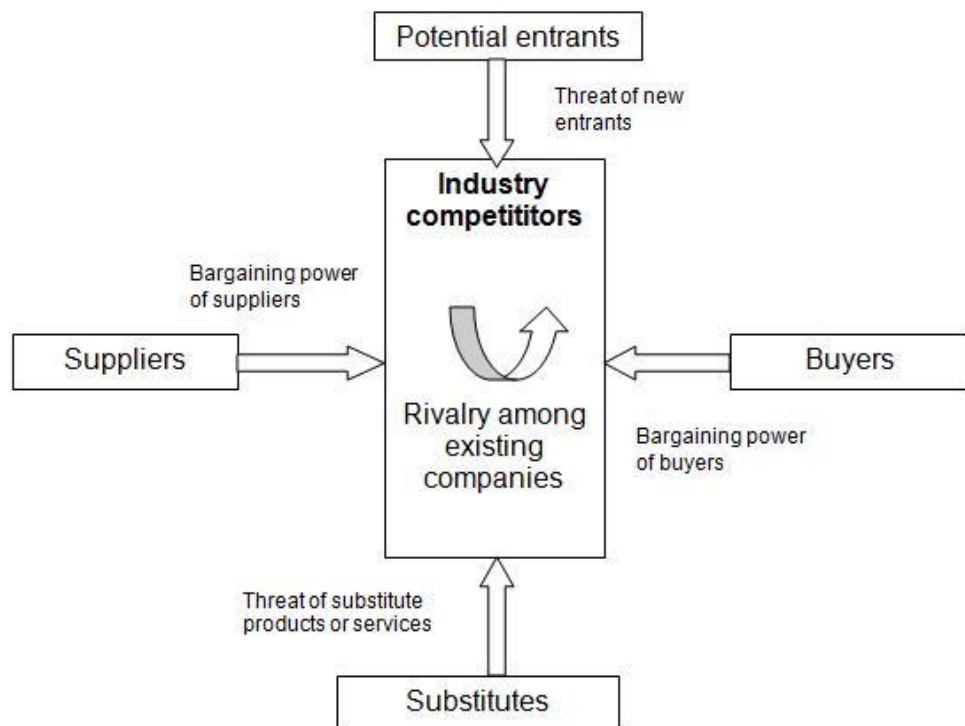


Figure 4. Driving forces for industry competition (Porter 1980, 4)

This figure describes the key features of the structure of the industry. By determining the strengths of each competitive force helps reveal the industry profitability because the competitive forces affect to the prices of the company products, costs and to the investment levels required in the field of business. (Porter 2006 in Sorri 2010, 8)

3.2.1 Potential entrants

The new entrants entering the industry bring new capacity and therefore the profitability of the industry reduces as they gain market share from other players. The barriers to entry to the industry determine whether the threat of entry is high. Porter highlights that there are six major barriers to entry. First barrier is economies of scale where the unit cost of a product declines because the total volume of a certain period increases. Second barrier is product differentiation where the existing firms have brand identification and loyal customers due to company's past advertising, customer service, differences in products and simply as they were first into the industry. Third barrier is capital

requirements, which mean that large financial resources need to be invested before entering into e.g. manufacturing of the industry. Fourth barrier is switching costs, that is, of changing from one supplier's products to another's. Fifth barrier is access to distribution channels where the new entrant must secure distribution for the products. The final barrier to entry is cost disadvantages independent of scale where the existing enterprises have been able to create cost advantages no matter what their size or reached economies of scale. An example of the last barrier is favorable location even before market forces had an effect on the prices. (Porter 1980, 7-12)

3.2.2 Buyers

Porter (1984) in Sorri (2010, 9) argues that buyers force down prices, require high quality of products or more services available or compare competitors prices – all this done at the cost of industry profitability. The characteristics of the market situation determine the power of the most important buyers groups of the industry. Several circumstances define the power of the important buyer groups in an industry but these are not introduced in this study in detail as it always depend on the particular market and its characteristics. (Porter 1980, 24)

3.2.3 Suppliers

Suppliers may use the power in an industry by threatening to raise prices or by threatening to reduce the quality of raw materials. The profitability of an industry may be squeezed by the powerful suppliers as the players in an industry may not be able to recover the cost increases in their own prices.

3.2.4 Substitutes

The pressure for the industry coming from substitute products is ongoing and the identification of substitute products happens often from outside the industry. The idea is that the company puts resources into searching for other products that may be able to perform similarly the same function as the current product of

the industry. Porter (1980, 23) argues that the industry product position against substitutes might be an issue of collective actions within the industry. For instance advertising in cooperation with all industry participants may boost the industry's collective position. (Porter 1980, 23-24)

3.3 Generic competitive strategies

Porter (1984) describes three generic strategies which are internally logical and can be in use one at a time or as different combinations. These generic strategies can serve as a tool for maintaining the long term defensive position in the industry and win the competitors in the business. The enduring competitive advantage is a base for long term success for the company (Sorri 2010, 9). (Porter 1984, 57)

When working with the competitive forces of the industry there are three successful strategies to use by which the other players are able to compete out from the industry: overall cost leadership (1), differentiation (2) and focus (3). The efficient implementation of each generic strategy requires full commitment and supportive organizational operations. Generic strategies are approaches which are being applied for winning the competitors in that industry. (Porter 1984, 57-58)

Overall cost leadership strategy can be described by low cost level relative to competitors without ignoring quality, service and other similar areas. The management needs to perform accurate cost observation for achieving the set targets.

The position of being the overall cost leader in the market protects the company against all five competitive forces. Even though there exists powerful players in the market the company is able to earn higher profit than the average in the industry. Cost level additionally gives the company one means of defence against competitors as profit can be earned even after the competitors have lost their profits to the costs of the competition. Low cost level protects the company also against powerful buyers as bargaining power can be used to press the

prices to the level what the second most efficient player is using. The low cost level provides a means of defence to the company against powerful suppliers by offering greater flexibility against ascending procurement costs. Factors that operate as the prerequisite for low cost levels set also barriers for entry to the industry by means of scale and price advantages. Finally low cost level offers the company a vantage in relation to substitute products and industry competitors. (Porter 1984, 58-59)

Differentiation is another generic strategy, which is based on differentiation the products or services. The key issues are that the product or service created is something unique that has not been seen in the entire industry before. There are several approaches for differentiation: product design or trademark image, technology, special characteristic, customer service, retail network or some other character. In the ideal situation the company can differentiate in multiple ways. Because of choosing the differentiation strategy the company can never totally exclude the costs even though costs are not the primary strategic target. (Porter 1984, 60)

Moreover if differentiation is achieved it is a working strategy for earning returns above the average in that industry as it provides a defensive position for enduring against the five competitive forces (Porter 1980, 37). By the means of differentiation it is possible to isolate from competition as customers become loyal to the trademark and are therefore less sensitive to price. Also the need for a low cost position is avoided as differentiation increases margins. Barriers for entry are provided by the loyal customers and the fact that competitors need to create something unique in order to achieve the powerful position as the competitors. The higher margins prior to differentiation help in controlling the powerful suppliers and also it reduce the power of buyers as they do not have similar products for comparison. The lack of similar products makes the customers less price sensitive. Finally when company has been able to differentiate in a way that it has been able to create a loyal customer base it should be better prepared for substitute products than the competitors. In general differentiation may require certain kind of adaptation operations in

relation to costs especially in cases when differentiation requires operations which are costly such as extensive research work, product planning, high quality raw materials or intensive customer support. (Porter 1984, 60-61)

Additionally, differentiation offers producers a powerful tool for obtaining a competitive advantage in the market (Hingley et al. 2008). Porter (1985) argues in Hingley et al. (2008) that greater value can be offered to customers by product differentiation rather than being the cost leader in the industry. By differentiation strategies the companies can avoid price competition and focus on the quality of the products and gain market power (Porter 1985 in Hingley et al. 2008).

The final generic competitive strategy is called focus. In focusing the key is to concentrate on a certain group of buyers, product line segment or particular geographic market. It is important to understand that focus strategy aims for serving a narrow target well and when ever operational policies are developed this should be kept in mind. Focus strategy offers the possibility to serve the target segment better than the competitors whom are operating industry wide. The result of implementing the focus strategy is that the company attains differentiation by meeting better the needs of the served target, or either lower costs by serving the particular target. In the ideal case the company may even achieve both. (Porter 1984, 38)

When focus is achieved the enterprise may have possibility to earn returns above the average in the industry. In this case the enterprise's focus means that it has been able to achieve low cost position in its target, or high differentiation and in some cases even both. In any case the company is able to defend itself from each competitive force since both positions, cost leadership and differentiation, provide defense for each factor driving industry competition. (Porter 1984, 39)

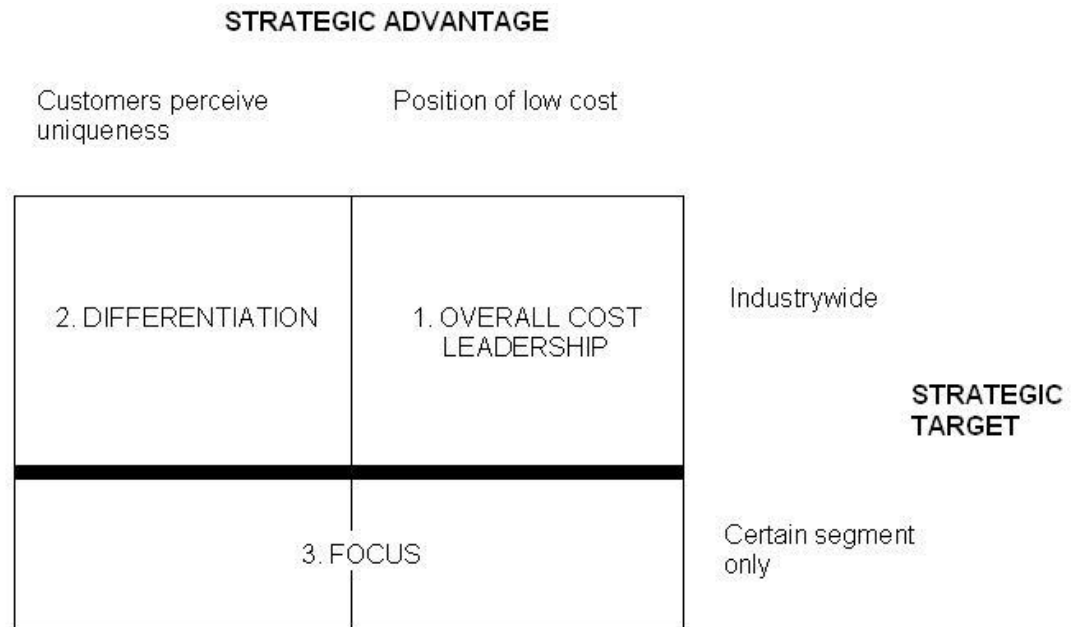


Figure 5. Three generic strategies (Porter 1980, 39)

3.4 The impact of strategy to the organization structure

The case company Sorriin Puutarha can be defined as a small enterprise as the division is based on the number of employees. Small enterprises employ 10-99 employees (Kallio 2002, 24). In Finland small enterprises employ 280 000 people which account for 20 % of the total employees working in enterprises. The fact makes these companies an important part to conduct studies and giving them possibilities to develop in their operations. Two different organization structures are being introduced as the structure plays a key role in the strategy implementation.

The chosen strategy has an effect on the organization structure as there can be defined a suitable organization structure for each generic strategy. The organization in this context has the role to implement the strategy.

A company which follows the cost leadership strategy chooses often the hierarchical structure for the organization which has characteristics such as centralized decision making, highly controlled production process as well as personnel who have been specialized in their field of know-how. On the other

hand, a company which focuses on differentiation and developing new products often chooses a more flexible organization structure. In these kinds of organizations the decision making is being decentralized and the practical development work is being delegated to several different project groups. These two examples of organizations describe the basic types and show the connection of what strategy and structure have. Organization that do not have a clear structure often lack transparent strategy which make them look fuzzy and unpredictable. (Peltonen 2007, 70-71)

The organic and more flexible organization structure is characterized by having more loose job descriptions than the hierarchical structure (or mechanical as often called). Also the distribution of work is more open in the organic organization structure. The objectives of the work are more important in the flexible organization as in comparison in the hierarchical organization the way of doing things is important. The power dimension in the organic organization is based on skills and knowledge rather than basing them on hierarchy as the case is in the mechanical organization. The flow of information is free and not restricted on only formal ways and one-way direction. The emphasis of the engagement is on the mission or project rather than just only for the organization itself. Based on these characteristics the organic structure fits well in a company which implements the differentiation strategy and is keen on developing and innovating new products. (Peltonen 2007, 71)

4 Research methodology

4.1 Methodological choices

Saunders & Lewis in Felder (2009) argue that methodology is a number of methods and procedures used to execute research of a kind. Some examples of common methodologies are interviews, questionnaires and case studies. The methodologies are mainly divided into two separate categories: qualitative and quantitative. Quantitative data, which refers to information dealing with numbers and anything measurable, is gathered by quantitative methods. The analysis for quantitative data can be conducted by statistics, tables and graphs, which makes the conclusions visible and easier to understand. On the other hand the other methodology being in use is called a qualitative research. This refers often to searching for reasons that lie behind various perspectives of behavior. The idea of qualitative methodologies is to answer questions why and how instead of just investigating what, where and when. Whenever conducting qualitative research, there is a need for gathering the data from small and focused samples instead of collecting from extensive and random samples. Additionally the data gathered by qualitative research is then categorized into patterns. (Saunders & Lewis in Felder 2009, 36)

There are two means of how to gather qualitative and quantitative data. First method is called primary data which refers to collecting new data for the specific purpose. The second method is called secondary data which refers to the reanalysis of data that has been collected earlier for some other purpose. Yet, secondary data may provide partial explanations and answers to the research questions and therefore the emphasis on the secondary data in the beginning of the research process is important. (International Finance Cooperation in Felder 2009, 36; Saunders & Lewis & Thornhill 2009, 256)

4.2 Deductive research approach

The design of this research is based on deductive research approach which refers to development of a theory and hypothesis. The key in the deductive research approach is to design a research strategy to test the hypothesis of the thesis. Robson in Saunders, Lewis & Thornhill (2009) stresses five sequential stages which the deductive research process goes through. First deriving a hypothesis from the theory, this is a testable proposal about the relationship between two or more variables. Second the hypothesis is expressed in operational term, which shows the relationship between the variables to be measured. Third refers to testing the operational hypothesis which includes the implementation of one or more research strategies. The research strategies used in this thesis are introduced in the following. Fourth stage in the deductive research approach involves examination of the outcome deriving from the questioning. This stage may indicate that the theory needs modification or on the other hand it might confirm that the theory explains the relationship between the variables. The final stage refers to the modification of the theory in case the findings indicate the need for modification. (Saunders & Lewis & Thornhill 2009, 124-125)

4.3 Research strategy

The researcher has several research strategies available that can be employed. Some of them clearly belong to the deductive approach and others to the inductive approach. The research strategy is important in the sense of how it enables the researcher to answer the research question(s) and meet the objectives. The choice of strategy is guided by the research question(s) and objectives, the amount of existing knowledge on the topic, the amount of time and other resources available for the researcher together with researcher's philosophical background. Additionally these strategies should not be considered mutually exclusive as they can be used together for instance using survey in a case study as this research embodies. The research strategies

available are experiment, survey, case study, action research, grounded theory, ethnography and archival research. (Saunders & Lewis & Thornhill 2009, 141)

The research strategy chosen for the study aims to answer the research question; what are the competitive advantages of Sorriin Puutarha? Based on the OGSM model the research question belongs to the Goals part. The consumer survey has been designed to find results of what could be the competitive advantages of the company. After they have been acknowledged the strategy development can be done. The chosen strategy aims to strengthen the acknowledged competitive advantages.

4.3.1 Survey and case study

Case study is defined as a strategy which involves an empirical study of a current phenomenon which is in real life context. Additionally whenever using case study as a strategy it sums up multiple sources of pieces of evidence. This research strategy differs from the survey strategy as even though the case study happens in the context the number of variables is not as limited as they are in survey strategy. This leads to the fact that case study gives more possibilities to explore and understand the causal relationships better than survey strategy where the variables are limited. In this study the case study is used as a single case as the context represents a unique case in the local food industry in Finland. (Saunders & Lewis & Thornhill 2009, 145-146)

Survey strategy is associated often with the deductive research approach. This strategy is popular in business and management research and quite often used to answer who, what, where, how much and how many questions. This survey is used for the fact to conduct exploratory and descriptive research. The key reason for survey strategy's popularity is its allowance to collect large amounts of data from a large population in an economical way. The data gathered from a questionnaire is standardized and therefore easy to compare. Additionally the survey strategy is easy to understand and explain. (Saunders & Lewis & Thornhill 2009, 144)

The data gathered by survey can be analysed by using descriptive and inferential statistics. Additionally possible reasons can be suggested for the particular relationships between the variables and eventually to produce models of the relationships. Survey strategy provide the researcher with more control over the research process and hence the researcher need to use more time making sure that the sample is representative, designing and piloting the data collection questionnaire and try to ensure a considerable response rate. The data analysis is also time consuming even though there is readily available software. The benefit though is that the time is the researcher's own and he/she is not dependent on others for information. (Saunders & Lewis & Thornhill 2009, 144)

This thesis combines two research strategies, single case study and survey. Survey compiled for this thesis has only closed questions as they enable the use of diagrams and graphics which then makes the description of results easier. Additionally the researcher has more control over the entire process and he/she is able to gather the data whenever time permits.

The survey was designed using themes originating from the secondary data; local food, environmental friendliness, freedom of food additives, ease of use, freshness and safety/reliability. In addition, attribute variables were used to gather information on the respondent characteristics such as age and size of the household.

The purpose of the survey was to gather data on the opinions that the consumers had in the context of Sorri's fresh cut salad bag, but on the other hand the aim was also to gather data on the behavioural variables of the consumers. The research aimed to collect information on the competitive advantages that Sorri's fresh-cut salad bag has and whether the consumers have been making purchase decisions based on the advantages of the product. The other objective of the survey was to find relevant information on the awareness of the different product benefits offered by Sorri's fresh cut salad bag.

The questionnaire was pilot tested before the actual launch. The five participants to the piloting brought up the challenges that they faced while answering the survey. Most of these issues were regarding the wording of the questions. At the end the pilot testing improved the quality of the survey greatly.

4.4 Demographics

For the research the demographics was kept comparatively wide in order to gather enough valid data to draw conclusions as relevant as possible.

Random sample used in the research includes Finnish consumers between all ages under 25 year olds to over 61 year olds. Both female and male took part in the survey. At the end, the number of participants to the survey came up to 37.

The social and educational backgrounds of the survey participants were not controlled, but most of them were part of the active working life (some studied at the same time). Marital status as an attribute question was not included in the survey as it did not have any relevance to the gathered data from the sample.

The random sample was gathered from the researcher's networks that were familiar with the product. The aim of the study was not explained to the survey participants, but they were given general information on the thesis topic. The participants were explained that the questionnaire was part of a thesis study and all of them were volunteers.

4.5 Reliability and validity

Reliability refers to the scope to which the data collection instrument will yield coherent findings (Saunders, Lewis & Thornhill 2009, 156).

Since the participants to the survey were aware of the case company there is not much room for these measures used in the questionnaire to yield same results on other cases. In addition the findings resulting from the data gathered are transparent. The reliability of the thesis is the sum of the context case study and survey used to gather the data.

The research can be said to have validity even though the sample size was only 37 people. This is so because the information gathered among the sample was identical. The purpose of the research was to gather data on consumer opinions and behaviours on Sorri's fresh cut salad bag in order to find the competitive advantages of the company. By finding the competitive advantages of the company the next step would be to choose the strategy for competition to follow. Since the survey controlled the possible competitive advantages for gardening production in Finland the conclusions could be drawn from the gathered data and therefore to be stated that the research has validity.

While the survey was designed, the research question was considered carefully as the goal. The objective of the study was to find a working competitive strategy for the case company and therefore the measurements for the consumer survey were prepared carefully. The interpretation of the results has been conducted according to the research question, which was goal of the study.

The information gathered through survey was conducted by the same person. The survey was handed to the participants face to face and the researcher was able to control the situation. All the interviews followed the same pattern.

5 Results and findings

The aim of the thesis was to develop competitive strategy for Sorri based on the competitive advantages it currently holds. Main theoretical framework in the thesis was Porter's generic strategies from which the company chooses one to follow and implement. Without choosing one strategy the company is left in a position where it does not fully implement any strategy and therefore cannot compete against the competitive forces in the industry.

The survey was designed to find information on consumer opinions and behaviors in context of Sorri. The demographics section has already been explained how the consumers were chosen to take part in the interview.

5.1 Local food

The first (1) question on the survey tested how customers perceive that they can affect the local food supply in the supermarkets (appendix). 70 % of the respondents thought that their purchase decisions made in the supermarkets have an effect on the supply offered in the grocery stores. The rest 30 % thought that they could not influence the supply of local food offered in the stores.

The second (2) question tested what the interviewees thought of the statement that Sorri's fresh cut salad bag can be defined as local food (appendix). The following graphic (figure 6) shows how the respondents were divided between the scale of answers. The two darkest blue colors on the left side represent the percent of favorable answer. The light blue colors on the right hand side represent the percent answered as unfavorable in the light of the statement.

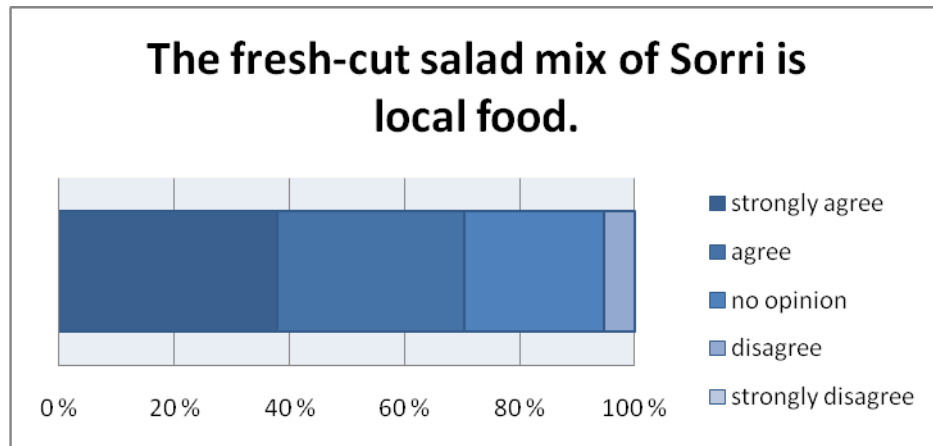


Figure 6. Sorri's fresh cut salad bag is local food.

The graphic (figure 6) illustrates that most (70 %) of respondents think that Sorri's salad bag can be defined as local food. 24 % of the respondent were neutral or had no opinion on whether the product could be defined as local food. None of the respondents had very strong feeling that the product is in no case local food. All of the respondents were living in the South-West of Finland and therefore for them Sorri's products are local food based on the definition of Sitra (2010).

5.2 Environmental friendliness

The third (3) question on the survey tested whether the consumers decide to make a purchase based on the information on the environmental friendliness of the product (appendix). 70 % of the respondents answered that they decide to buy based on the information of the environmental friendliness information on the packaging. The rest 30 % answered that the information on the environmental friendliness does not have an effect on the decision to buy.

The fourth (4) question on the survey asked the opinion of the consumers whether they think that Sorri's fresh cut salad bag is environmental friendly (appendix). The following graphic (figure 7) shows the division of the opinions that the respondents had on the issue. The darkest blue colors on the left represent the favorable percent of the answers to the question. The light blue colors on the right hand side represent the percent of unfavorable answers.

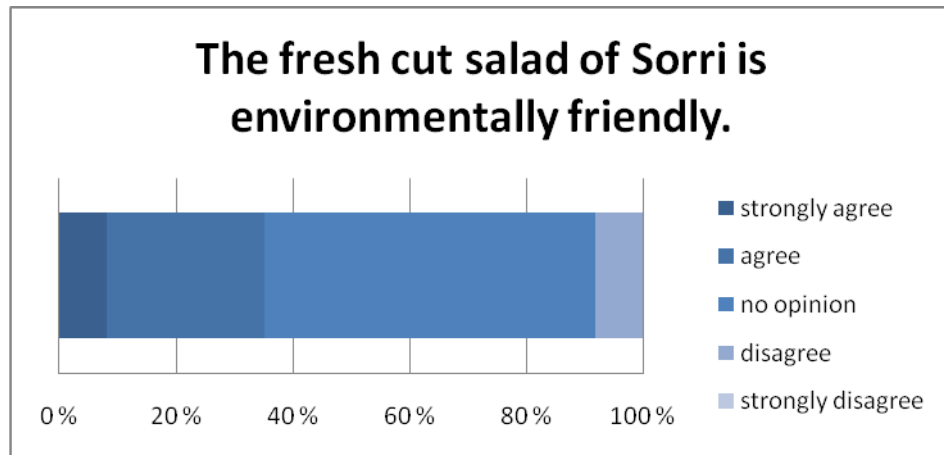


Figure 7. Sorri's fresh cut salad is environmentally friendly.

The graphic (figure 7) illustrates that only 35 percent of the respondents thought that Sorri's product is environmentally friendly. The majority of the respondents considered that they had no opinion on the statement perhaps because they did not have knowledge on the issue. Minority of the respondents answered that the product of Sorri is not environmentally friendly.

5.3 Freedom of food additives

The fifth (5) question on the survey tested whether the freedom of food additives in fresh produce products has an influence on the purchase decisions of the consumers (appendix). 84 % of the respondents thought that if the product does not contain any food additives they decide to buy it. Only 16 % of the interviewees thought that they will buy the product even though it contains food additives.

5.4 Ease of use and convenience

The sixth (6) question on the survey asked what the respondents thought of the statement that Sorri's fresh cut salad bag saves time and inconvenience in the kitchen while preparing food. The graphic (figure 8) below illustrates how the opinions were divided in the scale. The darkest blue colors on the left hand side represent the percent of favorable opinion on the issue. On the right hand side the light blue shows the neutral and unfavorable percent.

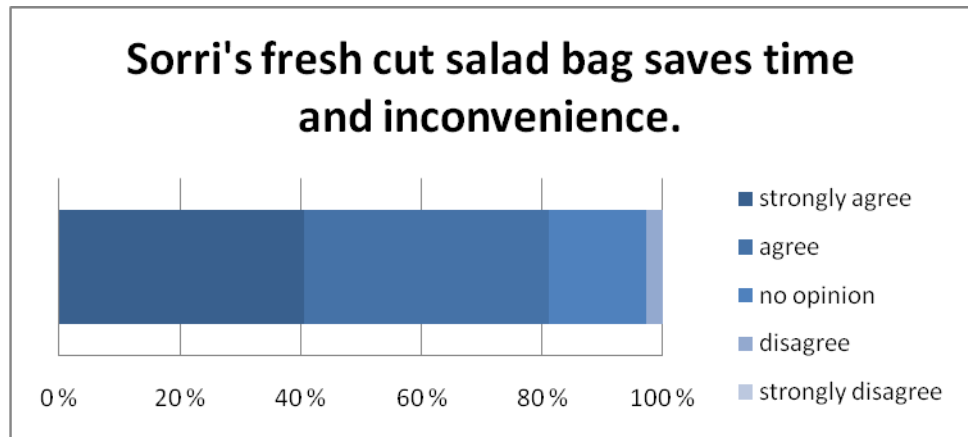


Figure 8. Sorri's fresh cut salad bag saves time and inconvenience.

The graphic (figure 8) illustrates how over 80 % of the respondents thought that the fresh cut salad bag saves time and inconvenience in the food preparation. 16 % of the respondents had neutral opinion to the statement and just only 3 % disagreed with the statement. The majority of the respondents had the experience that the ready-to-use salad bag is convenient in the kitchen.

The seventh (7) question on the survey asked the respondents that how often they actually bought the ready-to-use salad bag in order to save time and inconvenience in the kitchen. The following graphic (figure 9) represent the answers of the respondent.

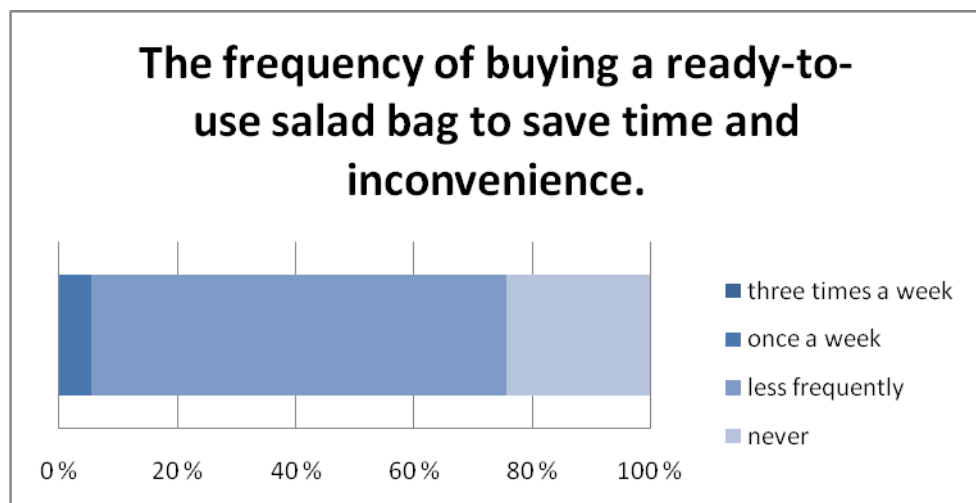


Figure 9. The frequency of purchasing a ready-to-use salad bad in order to save time and inconvenience.

The graphic (figure 9) represent the results of how often consumers actually buy the salad bag in order to save time and inconvenience. None of the respondents buy the ready-to-use salad bag three times a week. Only 5 % buy it once a week as they demand convenience and want to same time in the food preparation and the majority, which accounts for 70 % of the respondents buy the product less frequently that once a week to achieve convenience and saving time in the kitchen. Almost one fourth (24 %) of the respondents never buy the salad bag to save time and inconvenience.

5.5 Freshness

The eight (8) question on the survey tested the opinion of the respondents on the statement that the salad bag should be preserved in the fridge after opening for few days (appendix). The following graphic (figure 10) represents the division of the opinions on the scale. The darkest blue colors on the left hand side represent percent of answers which were favorable in the light of the scale. On the right hand side are represented percentage those answers which were neutral or negative.

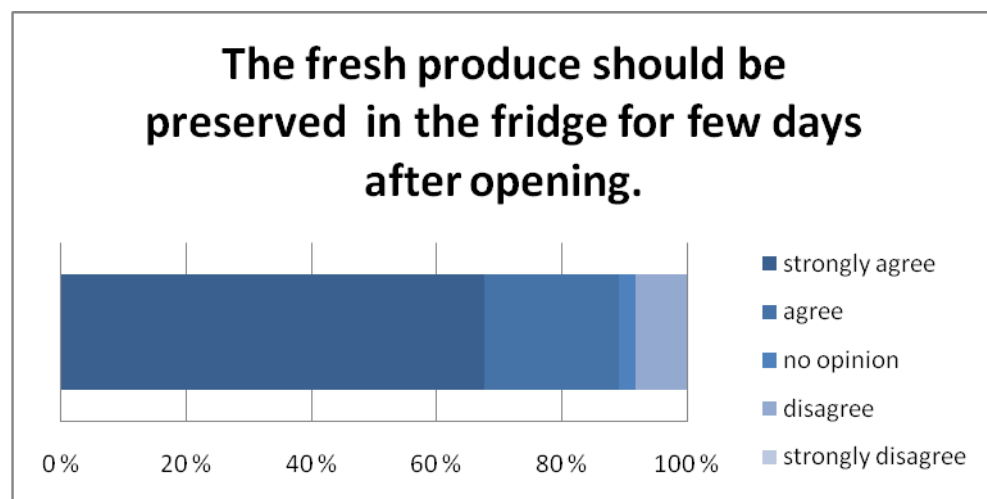


Figure 10. The fresh produce should be preserved for few days in the fridge after opening.

90 % of the respondents thought that the fresh produce should be preserved in the fridge for few days after opening the package. The remaining 10 % of the

respondents had no opinion on the issue or did not think it that product should be preserved after opening the package.

5.6 Safety / reliability

The ninth (9) question on the survey tested the interviewees opinion of the statement regarding whether Sorri's fresh cut salad bag is safe and reliable to use (appendix). The darkest blue colors on the left represent the percent of favorable answers in the scale. The lightest blue on the right hand side represent the percentage of the answers which were neutral.

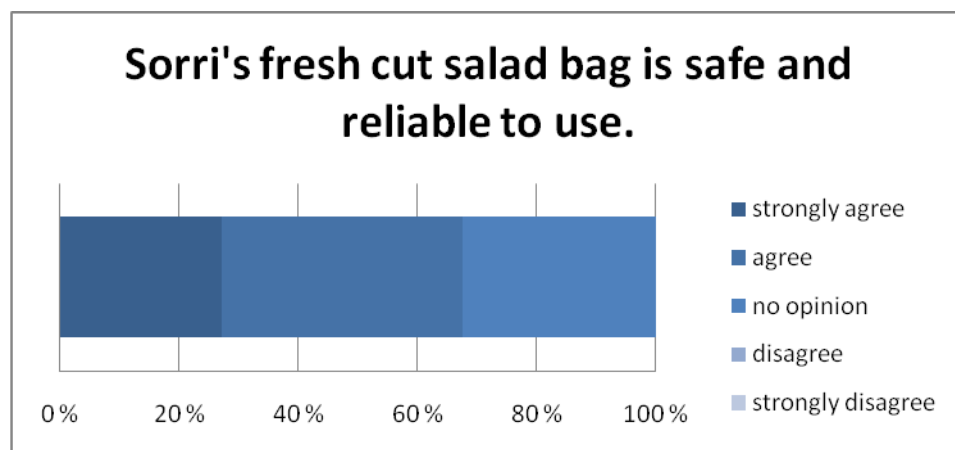


Figure 11. Sorri's fresh cut salad bag is safe and reliable to use.

Almost 70 % of the respondents considered that Sorri's salad bag is safe and reliable to use. The point worth mentioning is that none of the respondents thought that the product is not safe and reliable. 32 % of the respondents considered that they had neutral opinion against the statement. This could be interpreted that they do not have the knowledge whether the product is safe or not.

5.7 Key drivers for purchasing competitors products

The tenth (10) question on the questionnaire tested what characteristics of the competitors offerings made it attractive to buy the products (appendix). There were seven alternatives for the appealing characteristics of the competitors products; previous experience of a good taste, cheaper price, freedom of food

additives, freshness, safety and environmentally friendly production process. The respondents had an option to circle an answer which stated that they had never bought the competitors products.

The cheaper price got most of the votes, which reveals that the pricing has a great impact on what the customers buy in the grocery store. The second most frequently circled were tied between two answers; previous experience of good taste and freshness. This was quite surprising as most of the competitors product are foreign and therefore the time that the salads spend in transport and inventory increases. The more time it takes from the harvest to the consumers table will definitely have an effect on the taste. The third most frequent answer was that the consumers had never bought competitors products. The other alternatives did not have enough answers in order to draw any conclusions based on them.

5.8 Characteristics of the respondents

The final two questions on the survey tested the age (11) and size of the household (12) of the respondent (appendix). 57 % of the respondents' ages were under the two first answer categories, which mean that 35 years of age was the highest age within the group of respondents. 38 % of the respondents were aged between 36 to 60 years of age. The remaining 5 % of the respondents were aged over 61 years of age. The majority of the respondents could be characterized as young adults, but the fact that all of the age groups were represented in the study makes the generalization of the results possible.

The last question (12) tested the respondents' household size. The aim was to get all sizes included in the study. 54 % of the respondents were living alone or with another person. The remaining 46 % of the respondents were living in families of three to five or more persons. The singles and families were both represent in the survey, which enable the generalization of the results.

6 Conclusions

The consumers interviewed for the survey were all familiar with the case company, Sorrin Puutarha, and especially with the product that this survey was dealing with. In order to reliably generalize the results the sample size should have been larger than the 37 people, which were interviewed. Despite the fact the results from the survey give guidance on what consumers think and how they have behaved in terms of buying Sorri's fresh cut salad bag. Also the motives for buying competitors products were partly revealed.

The major conclusions that can be made from interpreting the results of the survey are the existing competitive advantages that Sorrin Puutarha has in the light of the competition. The relatively strong competitive advantage of Sorri is the image of being locally produced. As all of the respondents were living in the South-West of Finland from their viewpoint Sorri is defined as local to them. The fact offers the case company a definite competitive advantage as there is none strong local player in the market. In addition most of the competitors are foreign.

The survey reveals that there is lack of knowledge on the production process and especially the environmental friendliness of the production. The company should aim for communicating the environmental aspect to the customers in several ways; in the possible advertisements and particularly in the label of the product. The majority of the respondents did not have an opinion on the environmental friendliness character of Sorri's fresh cut salad bag.

One source of competitive advantage for Sorri is the freedom of food additives. The consumers in the food industry are becoming more aware of the healthiness and therefore the emphasis of buying fresh produce is on the freedom of food additives. This issue is often tied with the local aspect as people want to support the occupations within the area they live.

Consumers appreciate the convenience and variety in food preparations. As there is a lack of time for food preparation among the consumers there is a demand for Sorri's salad bag. Sorrin Puutarha can add value to customers by

offering a salad bag which is user-friendly and tends to save time in the kitchen as it needs not to be washed and copped. The product being studied for the thesis can provide a solution for people being aware of health issues and especially in offering convenient solution of still eating healthy even though the lack of time to be spent in the kitchen.

Sorri's fresh cut salad bag remains fresh in the fridge for at least two days after opening the package. The survey conducted for the consumers revealed that majority of the respondents thought that the products should remain fresh after opening the salad bag. Therefore the competitive advantage of staying fresh for few days after opening is clear. The issue is that how to communicate it to the consumers. Perhaps the solution could be in the increase of using sales promotion in stores to make the consumers confident that the product actually remains fresh after few days of opening.

Sorri Puutarha could develop a strong competitive advantage from the safety and reliability factor of the product. It seems that consumers do not have information on whether it is safe and reliable to use. On the other hand the relatively strong brand that Sorri has in the regional market of South-West Finland it may have being able to attain the reputation of being reliable producer in the eyes of the consumers. Through brand management Sorri could be able to communicate the characteristics appreciated by the consumers and therefore reach a strong competitive position in the market.

The pricing of the food products seem to have a great influence on what the consumers are buying, but as moving away from the recession the value-adding product of Sorri could become very competent and reduce the price sensitivity among the consumers by communicating the value adding factors of its product. Additionally the product innovation and new product development could be a focus area as consumers demand for variety in the food products.

The control of raw materials is one of the strong value chain activities of Sorri as the lettuce is grown close in the fields of the gardener. The time spent for transportation from the harvest to the factory where the lettuce is being washed

and copped does not basically take any time. Therefore the raw material needs not to stand in inventory for long and this guarantees fresh final product. Because of the fact that the raw material is coming from the company's own fields it could be stated that the suppliers do not have a great bargaining power within the industry especially when compared to the bargaining power that the buyers do have.

The operations of Sorri, where the raw materials are turned into the end products, offers one competitive advantage as the manufacturing facility is modern and only few years old. The management of the company is continuously seeking new ways to make the operations even more effective. The owners of the company are innovative and all the time looking for opportunities to improve the operations. They facilitate the business to develop.

Outbound logistics and marketing and sales are one of the primary activities that should be considered by the management. Outbound logistics can offer a great competitive strength for the company if it is being handled efficiently. Additionally the sales and marketing should be carefully considered. Especially in the context of Sorri, the brand management organization might offer competitive strength since none strong player is in the industry yet. Sales promotion plays an important role in the introduction and familiarization of food products and consumers are actually sometimes demanding that companies would make the features and value adding factors visible and familiar to the consumers face to face. When it comes to the brand, Sorri has been successful in creating a brand image of offering quality products and good service. The consumers that are familiar with Sorri have the impression that the company offers quality products. The customers also trust the company. Therefore the brand should be extended into the new product range of fresh cut salads. By managing the brand efficiently it can offer greater returns. The brand offers the company a competitive position in relation to competitors and possible new entrants in the industry.

The support activities could be under closer investigation for the case company and one implication for further research. Even though support activities are not

directly affecting the competitive position of the company in the industry, these should not be underestimated. As an example, the procurement can reduce high prices of costs in relation to the competitors and therefore create competitive strength for the company. This study does not offer enough primary data in order to draw conclusion in context of Sorri Puutarha and the organization and functionality of the support activities.

Based on the assessment of success factors of gardening products and the operational environment analysis together with assessing the primary value chain functions of the case company I will propose as the game plan for Sorri Puutarha to be Porter's differentiation strategy. The differentiation strategy offer the company a tool for maintaining a long term defense position and help the company to win the competitors in the industry. Referring Porter (1984) the base for long term success is an enduring competitive advantage.

Grant (1995) supports the conclusion by stating that the value adding small fresh producer should establish competitive advantage through differentiation. She also argues that the supplier company should try preventing new entrants and substitutes entering the market. Additionally the stable market share should be protected. The new product development should be in line with the customer demands and the supplier is expected to show high degree of flexibility.

Differentiation can have several approaches such as product design or trademark image or some special characteristic. As Porter suggests the ideal situation is that the company differentiates in a multiple ways. Sorri could use the relatively strong brand to isolate itself from the competition, because therefore the customers become loyal to the brand and become less sensitive to pricing. The margins could be increased by following the differentiation strategy as there is no need to achieve low cost position due to the fact that customers are willing to buy the product of Sorri as it offers some unique characteristics and value. The entry of new competitors is made difficult as the customers are loyal to Sorri. Additionally the buyers would not have as much power since there is no similar product in the market due to differentiation. The substitute products are one of the challenges once the position of having loyal

customers has been achieved. The great advantage of differentiation strategy for Sorri could be avoidance of price competition and therefore the focus of the company could be on the high quality and gaining market share. The implication for further research is the ways in which Sorri could differentiate and which would provide most advantages in the light of the competition.

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APPENDIX



Hyvä vastaaja,

Olen viimeisen vuoden kansainvälisen liiketalouden opiskelija Turun Ammattikorkeakoulusta. Lopputyöni tutkimuksen kohteena on paikallisen Sorrin Puutarhan käyttövalmis salaattisekoituspusseja, jota on saatavilla hyvin varustetuista ruokakaupoista. Tämä kysely sisältää 12 monivalintakysymystä ja niiden vastaamiseen menee muutama minuutti.

Kiitos vastauksistasi ja ajastasi!

Dear respondent,

I am a last year student of international business at Turku University of Applied Sciences. The topic of my final thesis is a local gardening company, Sorrin puutarha and especially their fresh cut salad bag product, which is sold in the resourced supermarkets. This survey has 12 multiple choice questions and answering them takes few minutes.

Thank you for the answers and your time!

Ystävällisin terveisin / With kind regards,

Emilia Haaristo



TURUN AMMATTIKORKEAKOULU
TURKU UNIVERSITY OF APPLIED SCIENCES

Vastaa kysymyksiin ympyröimällä selkeästi
vastausten edellä oleva kirjain. / Answer

the questions by clearly circling the letter in front of the answers.

1. **Pystytkö mielestäsi ostopäätöksilläsi vaikuttamaan ruokakauppojen lähiruokatarjontaan? / What do you think, can you influence the local food supply in the supermarkets by your purchase decisions?**

- a. kyllä / yes
- b. en / no

2. **Mitä mieltä olet seuraavasta väittämästä: "Sorrin salaattisekoitus on lähiruokaa"? What do you think of the following statement: "Sorri's fresh cut salad bag is local food"?**

- a. täysin samaa mieltä / strongly agree
- b. samaa mieltä / agree
- c. en osaa sanoa / no opinion
- d. eri mieltä / disagree
- e. täysin eri mieltä / strongly disagree

3. **Vaikuttaako tieto tuotteen ympäristöystävällisyydestä ostopäätökseesi? / Does the information on product's environmental friendliness affect your purchase decision?**

- a. kyllä / yes
- b. ei / no

4. **Mitä mieltä olet seuraavasta väittämästä: "Sorrin salaattisekoituspuussi on ympäristöystävällinen"? / What do you think of the following statement: "Sorri's fresh cut salad bag is environmentally friendly"?**

- a. täysin samaa mieltä / strongly agree
- b. samaa mieltä / agree
- c. en osaa sanoa / no opinion
- d. eri mieltä / disagree
- e. täysin eri mieltä / strongly disagree

5. **Vaikuttaako lisäaineettomuus ostopäätökseesi? / Does the freedom of food additives affect your purchase decision?**

- a. kyllä / yes
- b. ei / no

6. **Mitä mieltä olet seuraavasta väittämästä: "Sorrin salaattisekoituspussi säästää aikaa ja vaivaa keittiössä"? / What do you think of the following statement: "Sorri's fresh cut salad bag saves time and inconvenience in the kitchen"?**

- a. täysin samaa mieltä / strongly agree
- b. samaa mieltä / agree
- c. en osaa sanoa / no opinion
- d. eri mieltä / disagree
- e. täysin eri mieltä / strongly disagree

7. **Kuinka usein ostat käyttövalmiin salaattisekoituspussin, koska se säästää aikaa ja vaivaa? / How often do you buy ready-to-use salad bag as it saves time and inconvenience?**

- a. 3 kertaa viikossa / 3 times a week
- b. 1 kertaa viikossa / ones a week
- c. harvemmin / less frequently
- d. en koskaan / never

8. **Mitä mieltä olet seuraavasta väittämästä: "Tuotteen tulee säilyä avattuna jääkaapissa muutaman päivän"? / What do you think of the following statement: "The product should preserve few day in the fridge even though opened"?**

- a. täysin samaa mieltä / strongly agree
- b. samaa mieltä / agree
- c. en osaa sanoa / no opinion
- d. eri mieltä / disagree
- e. täysin eri mieltä / strongly disagree

9. Mitä mieltä olet seuraavasta väittämästä: "Sorriin salaattisekoitus on turvallinen ja luotettava käyttää"? / What do you think of the following statement: "Sorri's fresh cut salad bag product is safe and reliable to use"?

- a. täysin samaa mieltä / strongly agree
- b. samaa mieltä / agree
- c. en osaa sanoa / no opinion
- d. eri mieltä / disagree
- e. täysin eri mieltä / strongly disagree

10. Jos olet ostanut muiden valmistajien salaattisekoituspusseja, mitkä seikat ovat vaikuttaneet ostopäätökseesi? Voit valita useamman vaihtoehdon. / If you have bought competitors fresh cut salad bags what matters have influenced your purchase decision? You may choose multiple choices.

- a. aiempi kokemus hyvästä mausta / previous experience of good taste
- b. edullisuus / affordability
- c. lisääaineettomuus / freedomness of food additives
- d. tuoreus / freshness
- e. turvallisuus / safety
- f. ympäristöystävällisempi valmistustapa / more environmentally friendly production method
- g. en ole ostanut kilpailijan tuotetta / I have never bought a product by the competitors

11. Kuinka vanha olet? / How old are you?

- a. alle 25 vuotias / under 25
- b. 25-35 vuotias / 25-35 years
- c. 36-45 vuotias / 36-45 years
- d. 46-60 vuotias / 46-60 years
- e. 61 tai vanhempi / 61 or older

12. Taloutesi koko? / The size of your household?

- a. 1 hlö / 1 person
- b. 2 hlö / 2 persons
- c. 3 hlö / 3 persons
- d. 4 hlö / 4 persons
- e. 5 hlö tai enemmän / 5 or more persons

KIITOS VASTAUKSISTAS!! / THANK YOU FOR YOUR ANSWERS!!